

CHAPTER 8**STATEMENT OF FINANCING****★0801 FORMAT FOR THE STATEMENT OF FINANCING**

★ 080101. Format for the Working Version Combined Comparative Statement of Financing. The format presented in Figure 8-1 shall be used for the working versions of the statements. The amounts shall be in dollars and cents (not shown in the sample format) for all Department of Defense (DoD) working version financial statements. Line numbers are to be included on the working version of statements.

★ 080102. The Working Version Combining Comparative Statement of Financing. The format layout of the working versions of the consolidating statements shall include amounts in dollars and cents (not shown in the sample format) and the line numbers. They shall be consistent with the format presented in (Figure 8-2).

★ 080103. Published Statement of Financing Format. The DoD agency-wide published statements (and the notes to the principal statements) shall display dollars rounded to millions with one decimal point. All Component statements (and the notes to the principal statements) shall display dollar amounts rounded to the nearest whole thousand on the final published principal statements. To avoid excessive workload associated with rounding, accounting activities shall report amounts as dollars and cents on all versions of the statements and notes prior to submission by the reporting entity (these statements are referred to as working versions) of the final audited financial statements to the Office of the Deputy Chief Financial Officer, Accounting Policy Directorate (ODCFO(AP)).

DEPARTMENT OF DEFENSE [REPORTING ENTITY] COMBINED STATEMENT OF FINANCING Year Ended September 30, 2000 (Amounts in millions)			2000	1999
1. OBLIGATIONS AND NONBUDGETARY RESOURCES				
A. Obligations Incurred			\$ 555.6	\$ 777.8
B. Less: Spending Authority for Offsetting Collections and Obligation Adjustments			(222.2)	(111.1)
C. Donations Not in the Entity's Budget			222.2	111.1
D. Financing Imputed for Cost Subsidies			222.2	122.0
E. Transfers – In (Out) – Financing			222.2	111.1
F. Less: Exchange Revenue Not in the Entity's Budget			(111.1)	(50.1)
G. Nonexchange Revenue Not in the Entity's Budget			111.1	50.1
H. Less: Trust or Special Fund Receipts Related to Exchange in the Entity's Budget			(444.4)	(333.3)
I. Other			333.3	111.1
J. Total Obligations as Adjusted and Nonbudgetary Resources			\$ 1,111.1	\$ 888.9
2. RESOURCES THAT DO NOT FUND NET COST OF OPERATIONS				
A. Change in Amount of Goods, Services, and Benefits Ordered but Not Yet Received – (Increases)/Decrease			\$ (244.6)	\$ (121.2)
B. Change in Unfilled Customer Orders			22.3	10.0
C. Costs Capitalized on the Balance Sheet – (Increases)/Decreases			(222.2)	(122.0)
D. Financing Sources that Fund Costs of Prior Periods			(111.1)	(111.1)
E. Collections that Decrease Credit Program Receivables or Increase Credit Program Liabilities			(111.1)	(50.1)
F. Adjustments for Trust Fund Outlays that Do Not Affect Net Cost			(111.1)	(50.1)
G. Other – (Increases)/Decreases			(222.2)	(333.3)
H. Total Resources that Do Not Fund Net Costs of Operations			\$ (1,000.0)	\$ (777.8)
3. COMPONENTS OF COSTS OF OPERATIONS THAT DO NOT REQUIRE OR GENERATE RESOURCES				
A. Depreciation and Amortization			\$ 222.3	\$ 111.2
B. Bad Debts Related to Uncollectable Noncredit Reform Receivables			111.1	111.1
C. Revaluation of Assets and Liabilities – Increases/(Decreases)			162.1	51.1
D. Loss on Disposition of Assets			60.1	60.1
E. Other – Increases/(Decreases)			222.2	222.2
F. Total Costs that Do Not Require Resources			\$ 777.8	\$ 555.6
4. FINANCING SOURCES YET TO BE PROVIDED			\$ 333.3	\$ 444.4
5. NET COST OF OPERATIONS			\$ 1,222.2	\$ 1,111.1
Accompanying notes are an integral part of these financial statements. See notes 1 and 22.				

Figure 8-1

DEPARTMENT OF DEFENSE [REPORTING ENTITY] COMBINING STATEMENT OF FINANCING Year Ended September 30, 2000 (Amounts in thousands)					
	Subentity A	Subentity B	Subentity C	2000 Combined	1999 Combined
1. OBLIGATIONS AND NONBUDGETARY RESOURCES					
A. Obligations Incurred	\$ 185,200	\$ 185,200	\$ 185,200	\$ 555,600	\$ 777,800
B. Less: Spending Authority for Offsetting Collections and Obligation Adjustments	(74,000)	(74,100)	(74,100)	(222,200)	(111,100)
C. Donations Not in the Entity's Budget	74,000	74,100	74,100	222,200	111,100
D. Financing Imputed for Cost Subsidies	74,000	74,100	74,100	222,200	122,000
E. Transfers – In (Out) – Financing	74,000	74,100	74,100	222,200	111,100
F. Less: Exchange Revenue Not in the Entity's Budget	(37,000)	(37,000)	(37,100)	(111,100)	(50,100)
G. Nonexchange Revenue Not in the Entity's Budget	37,000	37,000	37,100	111,100	50,100
H. Less: Trust or Special Fund Receipts Related to Exchange in the Entity's Budget	(148,200)	(148,200)	(148,200)	(444,400)	(333,300)
I. Other	111,100	111,100	111,100	333,300	111,100
J. Total Obligations as Adjusted and Nonbudgetary Resources	\$ 370,500	\$ 370,300	\$ 370,300	\$ 1,111,100	\$ 888,900
2. RESOURCES THAT DO NOT FUND NET COST OF OPERATIONS					
A. Change in Amount of Goods, Services, and Benefits Ordered but Not Yet Received – (Increases)/Decrease	\$ (74,100)	\$ (74,100)	\$ (74,100)	\$ (222,300)	\$ (111,200)
B. Change in Unfilled Customer Orders					
C. Costs Capitalized on the Balance Sheet – (Increases)/Decreases	(74,000)	(74,100)	(74,100)	(222,200)	(122,000)
D. Financing Sources that Fund Costs of Prior Periods	(37,000)	(37,000)	(37,100)	(111,100)	(111,100)
E. Collections that Decrease Credit Program Receivables or Increase Credit Program Liabilities	(37,000)	(37,000)	(37,100)	(111,100)	(50,100)
F. Adjustments for Trust Fund Outlays that Do Not Affect Net Cost	(37,000)	(37,000)	(37,100)	(111,100)	(50,100)
G. Other – (Increases)/Decreases	(74,000)	(74,100)	(74,100)	(222,200)	(333,300)
H. Total Resources that Do Not Fund Net Costs of Operations	\$ (333,400)	\$ (333,300)	\$ (333,300)	\$ (1,000,000)	\$ (777,800)
3. COMPONENTS OF COSTS OF OPERATIONS THAT DO NOT REQUIRE OR GENERATE RESOURCES					
A. Depreciation and Amortization	\$ 74,100	\$ 74,100	\$ 74,100	\$ 222,300	\$ 111,200
B. Bad Debts Related to Uncollectable Non-Credit Reform Receivables	37,000	37,000	37,100	111,100	111,100
C. Revaluation of Assets and Liabilities – Increases/(Decreases)	54,000	54,000	54,100	162,100	51,100
D. Loss on Disposition of Assets	20,000	20,000	20,100	60,100	60,100
E. Other – Increases/(Decreases)	74,000	74,100	74,100	222,200	222,200
F. Total Costs that Do Not Require Resources	\$ 259,100	\$ 259,200	\$ 259,500	\$ 777,800	\$ 555,600
4. FINANCING SOURCES YET TO BE PROVIDED	\$ 111,100	\$ 111,100	\$ 111,100	\$ 333,300	\$ 444,400
5. NET COST OF OPERATIONS	\$ 407,000	\$ 407,100	\$ 407,100	\$ 1,222,200	\$ 1,111,100

Figure 8-2

0802 INSTRUCTIONS FOR THE PREPARATION OF THE STATEMENT OF FINANCING080201. General Instructions

★ A. The Statement of Financing is designed to provide information on the total resources used by an agency and explain how those resources were used to finance orders for goods and services not yet delivered, to acquire assets and liabilities, and to fund the entity's net cost of operations. It is designed to report the differences and facilitate the reconciliation of accrual-based amounts used in the Statement of Net Cost and obligation-based amounts used in the Statement of Budgetary Resources. The computations and presentation of items in the Statement of Financing demonstrate that the budgetary and proprietary information in an agency's financial management systems are in agreement. All amounts used in this financial statement should be preclosing balances. The Office of Management and Budget (OMB) does not require a consolidated Statement of Financing for fiscal year (FY) 2000. Therefore, the DoD has elected to prepare for FY 2000 a combined Statement of Financing. The statements shall be appropriately titled as combined. In addition, because the Department has elected to prepare combined and combining statements for FY 2000, disclose in Note 22 that intraentity transactions have not been eliminated.

B. Preparers of financial statements have flexibility as to the level of detail presented, i.e., the information should be presented for the reporting entity as a whole and, if the preparer elects, for the major suborganizations or responsibility segments or for the major budget accounts. Material disclosures pertinent to the Statement of Financing are provided at Note 22.

080202. Line Item Instructions. In addition to the narrative below, see the general ledger crosswalk in Appendix G for a description of the accounts and attributes applicable to each line item.

A. Obligations and Nonbudgetary Resources - Lines 1.A. through 1.J. The obligations and nonbudgetary resources section reports the computation of "Obligations Incurred" and adjustments for offsetting collections to expenditure accounts, recoveries of authority, and other items defined in the OMB Circular A-34. It also reports financing that is not recognized in the entity's budget. Financing sources other than exchange revenues that are not in the budget are added to obligations because they provide additional resources. Exchange revenues not in the budget are subtracted from obligations because they were subtracted from gross costs in the computation for net cost of operations.

1. Obligations Incurred – Line 1.A. This amount shall equal the obligations incurred as reported for the current year on the Statement of Budgetary Resources, Line 2.A. This line includes amounts for such items as new orders placed, contracts awarded, services received, undelivered orders, and expended authority etc. that require payment some time during the same or future period.

★ 2. Less: Spending Authority from Offsetting Collections and Obligation Adjustments – Line 1.B. This line consists of three primary components: offsetting

collections, recoveries of authority, and changes in unfilled customer orders. Offsetting collections is a combination of collections from the public and other federal agencies for the various activities in which the Department engages. The recoveries of prior year authority component consist of budget authority that was recovered during the current year due to a reduction in a prior year obligation. The third and final component of this line is the change in unfilled customer orders. Unfilled customer orders are considered to be a budgetary resource at the time the order is accepted. Collections on those orders are also considered a resource. In order to avoid double-counting when relating net obligations to net outlays, the change in unfilled customer orders from the beginning of the period to the end of the period must be deducted from obligations incurred. This line includes the amount reported on the Statement of Budgetary Resources, Line 1.D.

3. Donations Not in the Entity's Budget – Line 1.C. Include “other than cash” amounts for donated revenue.

4. Financing Imputed for Cost Subsidies – Line 1.D. This amount includes the imputed financing sources for cost subsidies.

★ 5. Transfers-In (Out) - Financing – Line 1.E. Include only the amount of transferred in without reimbursement and transferred out without reimbursement for unfunded liabilities or any other item which is reflected elsewhere on the Statement of Financing. (This amount is not equivalent to the net of lines 2.E. and 2.F. on the Statement of Changes in Net Position.)

★ 6. Exchange Revenue Not in the Entity's Budget – Line 1.F. This line shall include amounts for nongovernment increases/decreases that are associated with nongovernment exchange revenue for accounts receivable and interest receivable. This line also includes other revenue that is associated with exchange revenue. Include interest earned on donations and investments in trust funds. This line is subtracted from obligations incurred due to the different recognition criteria for budgetary resources and revenue. In accordance with the Statements of Federal Financial Accounting Standards, revenue is recognized as intragovernmental receivables or public receivables. Under budgetary accounting intragovernmental receivables are recognized as a budgetary resource while public receivables are not recognized as a budgetary resource until they are actually collected. Therefore, any future collection of public receivables is going to be considered a budgetary resource, but not a financial revenue because it has already been recorded as a financial revenue. Changes in public receivables shall be subtracted as a reconciling item in order to arrive at the net cost of operations on the Statement of Financing.

★ 7. Nonexchange Revenue Not in the Entity's Budget – Line 1.G. This line includes amounts for accrued interest from U.S. Treasury securities held by special and trust funds, the nonbudgetary portion of other revenue associated with nonexchange revenue, and the nonbudgetary portion of contra revenue for other revenue associated with nonexchange revenue. Amounts on line 1.G. shall agree with those reported on the Statement of Changes in Net Position as part of financing sources other than exchange revenue.

★ 8. Less: Trust or Special Fund Receipts Related to Exchange in the Entity's Budget – Line 1.H. This line includes Trust or Special fund receipts related to exchange revenue in the entity's budget. Activity reported on line 1.H. is an element of net cost. This activity would normally be classified as offsetting collections but is not reported as such based on instructions in OMB Circular A-34. Therefore, this line adjusts obligations as do offsetting collections reported on line 1.B.

9. Other – Line 1.I. This line includes any other nonbudgetary revenue that is associated with nonexchange revenue. Any element of this line that represents more than 10 percent of the value of this line shall be separately disclosed.

10. Total Obligations as Adjusted and Nonbudgetary Resources Line 1.J. Sum of lines 1.A. through 1.I.

B. Resources that Do Not Fund Net Costs of Operations – Lines 2.A Through 2.H. Some obligations or nonbudgetary financing sources do not result in expenses on the Statement of Net Cost for the period in which the obligation was made or the nonbudgetary resource recognized. Resources that do not fund net costs of operations commonly arise from three sources. One source is the change in goods, services, and benefits ordered but not yet received or provided. Another source is any good or service capitalized on the balance sheet. The third source is any item that is treated as a financing source yet to be provided in a prior period and that is being recognized as a budgetary resource in the current period. Because these items are included in obligations, as adjusted, and nonbudgetary financing sources, but not in the net cost of operations, they shall be subtracted in the reconciliation.

★ 1. Change in Amount of Goods, Services, and Benefits Ordered but Not Yet Received (Increases)/Decreases – Line 2.A. This line includes the net change in undelivered orders from the beginning of the period to the end. Net increases in undelivered orders and upward adjustments of prior-year undelivered orders should be subtracted from the net obligations and nonbudgetary resources; net decreases in undelivered orders and downward adjustments of prior-year undelivered orders should be added.

★ 2. Change in Unfilled Customer Orders – Line 2.B. This line includes Unfilled Customer Orders Without Advance and Unfilled Customer Orders With Advance. This line includes unfilled customer orders (line 2.B.); otherwise, the Statement of Financing will not reconcile.

3. Costs Capitalized on the Balance Sheet (Increases)/Decreases – Line 2.C. This line includes obligations that do not affect net costs. Examples are: general property, plant and equipment (PP&E), loans from liquidating funds, and nongovernment securities and investments. This amount should be subtracted from obligations and nonbudgetary resources.

4. Financing Sources that Fund Costs of Prior Periods – Line 2.D. Include on this line amounts received for budgetary resources in the current period that were previously reported as “financing sources yet to be provided.”

★ 5. Collections that Decrease Credit Program Receivables or Increase Credit Program Liabilities – Line 2.E. This line includes collections and receivables related to credit reform. For other actual collections – nonfederal, other actual collections – federal, and actual collections from liquidating fund, only the portion that increases loan guarantee liability or allowance for subsidy is included.

★ 6. Adjustments for Trust Fund Outlays that Do Not Affect Net Cost – Line 2.F. This line includes expenditure financing sources – transfers–out adjustment for trust fund outlays that do not affect net cost.

7. Other (Increases)/Decreases – Line 2.G. This line shall include any other amounts that are not identified in lines 2.A. through 2.F. that are resources that do not fund net costs of operations. Any element of this line that represents more than 10 percent of the value of the line should be separately disclosed.

8. Total Resources that Do Not Fund Net Costs of Operations – Line 2.H. Sum of lines 2.A. through 2.G.

C. Components of Costs of Operations that Do Not Require or Generate Resources – Lines 3.A. Through 3.F. These are costs which do not require financing by either budgetary or nonbudgetary resources. Although there may be many expenses of this type, two of the most common are depreciation and expenses related to the revaluation of assets. Because these items are part of the net cost of operations but are not included in obligations, as adjusted, and nonbudgetary resources, they shall be added in the reconciliation. As a practical matter, it may not always be feasible to report this information separately as displayed in the illustrated Statement of Financing.

1. Depreciation and Amortization – Line 3.A. Report those amounts for depreciation and amortization for General PP&E. This line shall also include amounts for depletion.

★ 2. Bad Debts Related to Uncollectable Non-Credit Reform Receivables – Line 3.B. This line includes bad debt expense related to uncollectible noncredit reform receivables.

3. Revaluation of Assets and Liabilities Increases/(Decreases) – Line 3.C. This line includes other gains and losses as a result of the revaluation of assets.

★ 4. Loss on Disposition of Assets – Line 3.D. This line includes losses on disposition of assets and gains on disposition of assets if a budgetary resource is not recognized upon sale or disposition of assets.

5. Other Increases/(Decreases) – Line 3.E. Include amounts for bad debts related to uncollectible noncredit report receivables. Include also amounts for the losses on the disposition of assets and the obligations associated with extraordinary items. Any element of this line that represents more than 10 percent of the value of the line should be separately disclosed.

6. Total Costs that Do Not Require Resources – Line 3.F. Sum of lines 3.A. through 3.E.

★ D. Financing Sources Yet to be Provided – Line 4. The costs of the federal government are not always funded in the period the costs are incurred. Two examples most common to agencies funded by appropriations are the cost of increases in unused annual leave and the Federal Employees' Compensation Act reimbursements to the Department of Labor. Costs of this nature are incurred in the reporting period, but are normally funded through appropriations in subsequent years. Future funding required for these costs is reported as "financing sources yet to be provided." Because these costs are part of the net cost of operations but are not in obligations as adjusted, and nonbudgetary resources, they should be added in the reconciliation. Note that in a subsequent year, when budgetary resources are provided, the costs are subtracted in the section entitled "resources that do not fund net cost of operations."

E. Net Cost of Operations – Line 5. This amount is determined by netting the "obligations as adjusted and nonbudgetary resources" and making appropriate adjustments for the total "resources that do not fund net cost of operations," the total "costs that do not require resources," and "financing sources yet to be provided." The net cost of operations resulting from the reconciliation on the Statement of Financing shall be the same as the net cost of operations reported on the Statement of Net Cost. See Appendix B of this volume for the required reconciliation.